

STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

<b>DOCKET</b>
00-REN-1194
DATE NOV 27 2005
RECD NOV 27 2005

In the Matter of:	)	Docket No. 00-REN-1194
Implementation of Renewables Legislation	)	RE: 2006 Renewable Energy
Public Utilities Code sections 399 through	)	Investment Plan
399.9 [SB 1194, AB 995]	)	

**COMMENTS OF THE  
CALIFORNIA WIND ENERGY ASSOCIATION  
ON  
STAFF DRAFT REPORT:  
2006 RENEWABLE ENERGY INVESTMENT PLAN**

Pursuant to the October 28, 2005, Notice of Renewables Committee Workshop on the 2006 Renewable Energy Investment Plan, the California Wind Energy Association ("CalWEA") submits these comments on the Staff Draft Report on the 2006 Renewable Energy Investment Plan ("Staff Draft Investment Plan" or "Staff Draft").

The Staff Draft Investment Plan recommends an allocation of Renewable Resource Trust Fund money collected between January 1, 2007, and January 1, 2012. This report, in final form, will be submitted by the Energy Commission to the Legislature on or before March 31, 2006.

To summarize CalWEA's comments, we believe that:

1. Reducing New Renewables/RPS fund is premature;
2. A change in SEP fund administration is not warranted and would create its own serious problems;
3. Removing funds from the Tier 2 Existing Wind program is reasonable, but the program should be preserved in the event that support becomes necessary again; Tier 1 Existing Renewables should be supported to maintain the RPS baseline;
4. The consumer information and market support program should support WREGIS capabilities to track energy deliveries; and
5. Small wind systems should remain eligible in the Emerging Renewables program.

**1. Reducing the New Renewables/RPS Fund is Premature**

The Staff Draft Investment Plan proposes to reduce the percentage of Renewable Resource Trust Funds in the New Renewables/RPS Account from 51.5% to 38%.

CalWEA believes that it is premature to reduce funds in this account. While supplemental energy payment (SEP) funds from this account have, indeed, been unnecessary to date and the MPR is, indeed, expected to be relatively high given current and anticipated gas prices, reducing this account is inconsistent with the state's RPS goals, given that current conditions may not hold:

- There is no certainty that the federal tax incentives for renewables will continue after 2007.
- No one can guarantee that gas prices will remain high, or that the raw materials costs that go into renewable energy technologies will not continue to increase. In addition, in the case of wind energy, the worldwide demand for turbines may continue to exceed supply, and domestic manufacturing capability continues to be hampered by the lack of long-term certainty of federal tax credits.
- The proposed amount of funds for the 2007- 2012 New Renewables/RPS account (\$266 million), while seemingly large, would not go very far in terms of the capacity it would support. For example, paying a half-cent SEP over 10 years would support (roughly) just 650 MW of a baseload renewable technology or 1,750 MW of wind capacity. One-cent SEPs would go half as far – far less than we will need to meet the RPS goals.

While current conditions suggest that the SEP fund will not be needed, it is not possible to predict with certainty what conditions might be several years from now. In addition, the Commission and stakeholders have not explored other ways in which this fund could be used to support RPS goals. Before redirecting the funds to another account (which requires legislative changes), the Commission should at least ask the question: are there other ways, besides the current SEP process, in which the New Renewables/RPS fund could be used to support RPS goals (which might also require legislative changes)?

## **2. A Change in SEP Fund Administration Is Not Warranted and Would Create Serious Problems of Its Own**

The Staff Draft Investment Plan states:

*“2005 Energy Report* states that the current process for procuring renewable resources is overly complex, delaying the state's ability to achieve its renewable energy goals. One option to address this problem is to award public funds for Renewables Portfolio Standard contracts through auctions for production incentives, with awards conditioned on receiving contracts through the Renewables Portfolio Standard solicitation process. This option is consistent with the Governor's response to the *2003 Energy Report* and the *2004 Energy Report Update*, which stated:

California's regulations should provide equivalent incentives for all environmentally attractive new renewable energy, but

let competitive forces determine which of these are most economically attractive.” [Footnotes omitted.]

Unfortunately, this solution does not address the major problems with RPS implementation that were identified in the *2005 Energy Report*: the lack of uniformity and transparency in the RPS procurement process and the lack of workable contract terms in the RFOs. The proposed solution does not solve the problem it is aiming at, and brings its own problems in addition:

- While the CEC’s past auction process for awarding incentive payments was completely public (the touted benefit of this approach), this transparency still would not apply to the selection process in which projects actually get contracts, to which the auctioned payments would apply. So it would not solve the problem of lack of transparency in the bidding process.
- The award of public funds has not been demonstrated to be a problem because public funds (“SEPs”) have not yet been required to supplement contract prices.
- Regarding the Governor’s statement on the *Energy Reports*, as quoted above, the current RPS construct achieves the Governor’s stated goal of letting competitive forces determine which renewable technology is most economically attractive: renewables compete directly, with bids evaluated for cost and value. Any above-market costs are covered by SEPs. While the competitive process does need improvement, the fundamental construct is sound.
- The Staff Draft proposal to award public funds raises its own issues, such as:
  - Developers would be forced to bid for SEP fund subsidies to protect their competitive position. Why should SEP funds be awarded if the necessary renewables price is competitive with non-renewables and can be fully covered in the power purchase agreement (PPA)?
  - Awarding public funds separately would create another barrier in getting projects built, because developers would have to bid in two auctions instead of one. The utilities’ RPS procurement process does not now require a second bid, whether or not SEP funds are needed.
  - The value of SEP funds is much lower than the value of the PPA revenue stream, because the availability of public funds cannot be guaranteed. Therefore, if public funds are auctioned and obtained,

they will be discounted heavily by developers bidding into utility RFOs.

- The Staff Draft states, citing the IEPR process, that “Several stakeholders have recommended a return to the auction process, citing its simplicity and success” but it does not mention the strong objections expressed by several stakeholders. These stakeholders included CalWEA, TURN, the Union of Concerned Scientists and possibly others. At a minimum, the changes would require a year to adopt in the legislature and another year to implement, diverting critical years of time and energy away from meeting the 2010 RPS goals.

**3. Removing Funds from the Tier 2 Existing Wind Account is Reasonable, but the Program Should Be Preserved in the Event that Support Becomes Necessary Again; Tier 1 Existing Renewables Should be Supported to Maintain the RPS Baseline**

The Staff Draft is reasonable in recommending the elimination of funding from the Tier 2 Existing Wind support program, given current and projected gas prices which underpin the SRAC energy payments that eligible wind projects receive. However, the Tier 2 program should be maintained in the event that gas prices drop and support payments become necessary again. This would require a statutory change to enable the transfer of funds into the Existing Renewables Accounts if market conditions warrant.

The Tier 1 Existing Renewables should receive sufficient support to preserve the RPS baseline. Reducing funding below what was actually expended in the past two years and eliminating technologies (solar thermal) altogether from the Tier 1 program seems contrary to the objectives of meeting California’s 20% renewables goal, of which the existing baseline is a critical part. As with the Tier 2 and New Renewables programs, the continuation of present market conditions is not so assured that funding should be irreversibly cut.

**4. The Consumer Information and Market Support Program Should Support WREGIS Capabilities to Track Energy Deliveries**

The Staff Draft’s plan to use funds from the Consumer Information and Market Support Program to support WREGIS (in small part), should be increased if necessary to enable WREGIS to automatically track energy deliveries. The Commission has not taken steps to ensure that WREGIS will have the capability to automatically track energy deliveries, even though the New England tracking system has demonstrated that such tracking is possible. The Commission should immediately take steps to ensure that WREGIS will have this function, providing funding if necessary. If California is to realize benefits from out-of-state generation, we must be sure that the power is delivered to the state.

**5. Small Wind Systems Should Remain Eligible in the Emerging Renewables Program**

CalWEA does not represent small wind providers, but we note that eliminating small wind from the emerging account runs in opposition to the quoted statement of the Governor (“California’s regulations should provide equivalent incentives for all environmentally attractive new renewable energy, but let competitive forces determine which of these are most economically attractive”). We support the recommendation of the small wind energy representatives that the small wind incentive program be reinstated as a part of the “million solar roof program.”

For citizens that live in rural windy places, small wind offers a cost effective compliment to solar. Technology innovations are still occurring in the small wind industry. Inclusion in this program would push demand, reduce the installed cost of these systems, and enable the industry to develop new products that are focused on the needs of the customers and that work within many zoning regulations.

Respectfully submitted,

\_\_\_\_\_/s/\_\_\_\_\_  
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November 21, 2005

**Docket Optical System - Docket No. 00-REN-1194 - CalWEA Comments**

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**From:** "Nancy Rader" <nrader@igc.org>  
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**Date:** 11/21/2005 4:54 PM  
**Subject:** Docket No. 00-REN-1194 - CalWEA Comments

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Docket Office,

Attached please find

**COMMENTS OF THE  
CALIFORNIA WIND ENERGY ASSOCIATION  
ON  
STAFF DRAFT REPORT:  
2006 RENEWABLE ENERGY INVESTMENT PLAN**

in the above-reference docket.

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